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UNCLAS SECTION 01 OF 02 YEREVAN 000291

SENSITIVE
SIPDIS

STATE FOR INL/AEE JUDITH CAMPBELL
DOJ FOR CARL ALEXANDRE AND CATHERINE NEWCOMBE
AND DOJ/USDOJ
AND BRUCE SCHWARTZ AND CRIM/AAG

E.O. 12958: N/A
TAGS: [PGOV](#) [PREL](#) [KDEM](#) [KJUS](#) [AM](#)
SUBJECT: USG TRAINING HELPS GOAM COMBAT MONEY-LAUNDERING

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Summary

¶1. (SBU) Armenian prosecution of financial crime has taken a big step forward, as witnessed by successful conviction of four defendants in three money laundering cases in 2009. The defendants received sentences of up to six years' incarceration, a high sentence by Armenian standards. Previous efforts to prosecute under Armenia's money laundering provisions were hampered by the belief that a money laundering prosecution could not be initiated without an affirmed conviction on the predicate offense that generated the illegally obtained money. The Armenian Prosecutor General, however, has now agreed with the U.S. position, as supported by USDOJ/ OPDAT training, that money laundering prosecutions can proceed under local laws in the absence of a prior conviction on the money-generating offense. USDOJ/ OPDAT has been training Armenian prosecutors on financial crime prosecutions since 2007; in April, 2009, INL and USDOJ/ OPDAT sponsored a US Treasury/ OTA weeklong training for thirty-one Armenian investigators and prosecutors on financial crime investigation. END SUMMARY.

SUCCESSFUL MONEY LAUNDERING PROSECUTIONS, CONVICTIONS

¶2. (SBU) Although the Armenian Criminal Procedure Code has prohibited money laundering since 2003, prosecutions have been rare because Armenian authorities interpreted the requirements restrictively, such that a money laundering prosecution could not even be initiated without the prosecution previously obtaining a conviction on the underlying crime that generated the illegally-obtained funds. Moreover, even where such a conviction had been obtained after trial, authorities would feel compelled to wait until after the conviction had been affirmed on appeal. As early as 2007, USDOJ/ OPDAT provided money laundering training for Armenian prosecutors, pushing for a more practical interpretation of the money laundering law. That training was followed up in 2008 with one-on-one discussions and in 2009 with a week-long conference on financial crime investigation.

¶3. (U) In 2008, six money laundering investigations were initiated, including cases in which the prosecution sought to prove both the money laundering and the initial offense. In 2009, four additional money laundering cases were launched by

Armenian authorities. These prosecutions resulted from a key policy decision -- the Armenian Prosecutor General rejected the guidance of Armenian academics and adopted the more practical approach that had been urged by the USDOJ. As a result, Armenia has now begun to prosecute money laundering cases without first obtaining a conviction on the underlying offense.

14. (U) In 2009, Armenian law enforcement obtained three money laundering convictions on four defendants -- the first time such convictions were made in Armenia without obtaining a conviction on the underlying offense. In one case the defendant was found guilty of commercial bribery and money laundering. The defendant received a bribe of \$10,000 US dollars from a high level company employee to sell company assets to the employee at a favorable price. The defendant took the cash and directed that it be registered as a loan made to the company. In the second case two defendants were convicted of money laundering and sentenced to six years and two years in prison. The two defendants and others used fraudulent bank cards to steal from ATMs, with the Armenian money deposited into banks and changed into western currency.

In the third case the defendant was convicted of money laundering and grand larceny, after stealing over one million in U.S. dollars by using fraudulent bank cards. The defendant transferred the money as a personal loan to his company's bank account. The court imposed a sentence of seven years' incarceration, but suspended the sentence on the condition of full cooperation and repayment of the stolen funds.

15. (U) The recent money laundering successes were announced by a Procuracy official at an INL-funded financial investigations training course, conducted in Yerevan, Armenia, April 13-17, 2009. Two US Treasury/ Office of

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Technical Assistance officials joined the OPDAT/ USDOJ Resident Legal Advisor for a week of training for 31 Armenian prosecutors, police investigators, and bank regulators. In addition to the focus on money laundering, the conference topics included basic accounting, interview techniques, asset forfeiture, terrorist financing, obtaining financial information from international sources, and using indirect methods to prove a suspect's illicit income.

COMMENT

16. (SBU) The money laundering convictions represent a real step forward, but it remains to be seen whether the financial crime statutes will ever be used against the powerful oligarchs of Armenia who retain their wealth and untouchable status. It is likely that the newly-used money laundering tools will stay shiny and clean in the prosecutor's toolbox, as they will be employed only against small-time criminals who have no connections within Armenia's government -- or potentially, and more problematically, against regime opponents.
YOVANOVITCH